

Message Text

PAGE 01 STATE 209838

62

ORIGIN XMB-04

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 L-03 NSC-05 SS-15 STR-04

CEA-01 /094 R

66650

DRAFTED BY: EXB:TEMORANAPPROVED BY: EXB:CNORRIS

EXB:DOBEIM

EB/IFD/ODF:RASWART

NEA/AFN:WWEISLAGEL

----- 093279

R 041449Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY ALGIERS

UNCLAS STATE 209838

E.O. 11652: N/A

TAGS: PFOR, EGEN, AG, US

SUBJ: BILATERAL ISSUES

REF: ALGIERS 1800

1. THERE HAS BEEN NO, REPEAT, NO CHANGE IN BASIC EXIMBANK ATTITUDE AS REGARDS LENDING TO ALGERIA. EXIMBANK HAS NOT , REPEAT, NOT PLACED A CEILING OR LIMIT ON LENDING TO ALGERIA OR TO ANY OTHER COUNTRY. EXIMBANK CONTINUES TO CONSIDER

ALGERIA AN IMPORTANT BORROWER AND AN IMPORTANT TRADING PARTNER FOR THE US. BELIEVE EMBASSY SHOULD PLACE EMPHASIS ON THESE FUNDAMENTAL POINTS IN RESPONDING TO INQUIRY BY MINISTRY OF INDUSTRY AND ENERGY.

2. NONETHELESS, IT HAS TO BE REALIZED THAT EXIMBANK EXPOSURE IN ALGERIA HAS GROWN DRAMATICALLY IN THE RELATIVELY SHORT UNCLASSIFIED

PAGE 02 STATE 209838

PERIOD WE HAVE BEEN LENDING TO ALGERIA. THE FIRST EXIMBANK LOAN TO ALGERIA WAS MADE IN MID-1970, AND OUR EXPOSURE CURRENTLY IS ABOUT \$670 MILLION. (EXPOSURE IS MADE UP OF EXIMBANK LOANS, EXIMBANK GUARANTEES COVERING LOANS EXTENDED IN PART-

TICIPATION WITH EXIMBANK BY OTHER LENDERS, AND EXIMBANK COVERAGE FOR SHORT AND MEDIUM-TERM TRANSACTIONS.) OUR EXPOSURE IN ALGERIA IS THE NINTH HIGHEST OF THE NEARLY 150 COUNTRIES AROUND THE WORLD WHERE EXIM HAS DONE BUSINESS, PUTTING ALGERIA WELL UP AMONG THE RANKS OF COUNTRIES WHERE EXIM HAS BEEN DOING BUSINESS FOR DECADES. COUNTRIES WHERE OUR EXPOSURE IS HIGHER ARE BRAZIL, IRAN, JAPAN, KOREA, MEXICO, SPAIN, TAIWAN, AND YUGOSLAVIA. SO, FROM THE HISTORICAL POINT OF VIEW, THE ALGERIANS CAN HARDLY SAY THAT EXIM HAS NOT BEEN FORTHCOMING. THE \$670 MILLION FIGURE IS ACTUAL, PRESENT EXPOSURE. IF WE WOULD INCLUDE OUR POTENTIAL EXPOSURE UNDER PRELIMINARY COMMITMENTS WE HAVE ISSUED TO U.S. SUPPLIERS WHO ARE BIDDING ON ALGERIAN PROJECTS, THE FIGURE WOULD BE ABOUT \$740 MILLION. IF WE ADD IN THE EXPOSURE INVOLVED IN APPLICATIONS ON WHICH WE HAVE NOT YET ACTED, THE EXPOSURE FIGURE WOULD BE \$890 MILLION. THIS COULD GO TO ROUGHLY \$1.2 BILLION IF WE WERE TO APPROVE SOME PROJECTS WHICH ARE NOT ON THE HORIZON AND WHICH WILL LIKELY BE BROUGHT TO US.

3. ALTHOUGH WE HAVE NEVER HAD AND DO NOT NOW HAVE A LENDING CEILING FOR ALGERIA, THIS IS NOT TO SAY THAT WE CAN CONTINUE INDEFINITELY TO SEE OUR EXPOSURE BUILD UP IN ALGERIA AT THE SAME PACE IT HAS IN THE PAST OR THAT WE DO NOT GET UNEASY WHEN WE SEE OUR EXPOSURE GETTING SO HIGH IN A COUNTRY WHICH, WITH EXIM AT LEAST, HAS SUCH A SHORT TRACK RECORD AS A BORROWER. OUR UNEASINESS IS NOT PUT TO REST WHEN WE READ REPORTS IN VARIOUS JOURNALS AND REPORTS FROM THE EMBASSY INDICATING THAT ALGERIA MAY FACE SERIOUS BALANCE OF PAYMENTS PROBLEMS IN THE NEXT COUPLE OF YEARS.

4. THE POINT OF ALL THIS IS SIMPLY THAT WE CANNOT PROVIDE FINANCING FOR EACH AND EVERY ALGERIAN PROJECT WHICH IS BROUGHT INTO US BY THE ALGERIANS OR BY POTENTIAL AMERICAN SUPPLIERS. IT MAY BE RELATIVELY EASY FOR US TO MAKE THAT DECISION, BUT IT GETS MORE DIFFICULT WHEN WE HAVE TO DECIDE WHICH PROJECT WE WILL "SELECT OUT". REALIZING THAT WE ARE INSERTING OUR-
UNCLASSIFIED

PAGE 03 STATE 209838

SELVES INTO ALGERIA'S DEVELOPMENT PRIORITIES DECISION PROCESS, WE HAVE TO BE SELECTIVE AND PICK FROM AMONG THE MANY APPLICATIONS WE HAVE ON HAND THE PROJECTS WHICH SEEM TO US TO MAKE THE MOST SENSE. WE HAVE OUTLINED IN A RECENT COUNTRY STUDY ON ALGERIA THE RATIONALE WE APPLY IN MAKING THESE DECISIONS. A COPY OF THIS STUDY WAS AIR POUCHED TO THE EMBASSY SEVERAL DAYS AGO. AS THE COUNTRY STUDY WILL SHOW, WE HAVE IN THE PAST YEAR TURNED DOWN SIX PROJECTS. BUT IT ALSO SHOWS THAT WE APPROVED FIVE CASES DURING THE SAME PERIOD.

5. ALTHOUGH ALGERIA MAY FACE SHORT-TERM BALANCE OF PAYMENTS PROBLEMS, WE CONSIDER ALGERIA TO BE, IN THE LONG RUN, BASI-

CALLY CREDITWORTHY IN TERMS OF BASIC ECONOMIC STRENGTHS. TO
MANAGE OUR WORLDWIDE EXPOSURE IN A RESPONSIBLE WAY, HOWEVER,
WE EXPECT THAT WE WILL HAVE TO CONTINUE OUR PROCESS OF BE-
ING SELECTIVE WITH APPLICATIONS CONCERNING ALGERIAN PROJECTS.

6. NOT ONLY HAVE WE NOT BEEN ABLE TO FINANCE ALL OF THE PRO-
JECTS THE ALGERIANS OR U.S. SUPPLIERS WOULD LIKE TO HAVE
US FINANCE, BUT WE HAVE NOT BEEN ABLE TO PROVIDE AS MUCH OF
THE FINANCING OURSELVES AS THE ALGERIANS HAVE REQUESTED ON
THOSE PROJECTS WE HAVE AGREED TO FINANCE. THAT IS, WE HAVE
TRIED TO KEEP OUR OWN EXPOSURE AT AT MINIMUM IN RECENT CASES,
GENERALLY AT 40 PERCENT OF THE U.S. COSTS OF THE PROJECT,
REQUIRING THE ALGERIANS TO OBTAIN THE REMAINDER OF THE
FINANCING FOR U.S. COSTS FROM PRIVATE SOURCES, USUALLY
WITHOUT OUR GUARANTEE. THE ALGERIANS HAVE NOT LIKED THIS,
BUT WE SEE IT AS A WAY OF STRETCHING OUR EXPOSURE OVER A
GREATER NUMBER OF CASES.

7. ALL OF THIS SHOULD NOT COME AS NEWS TO THE ALGERIANS.
DURING HIS VISIT TO ALGERIA IN MAY 1974, EXIM CHAIRMAN
CASEY EXPLAINED TO MANY ALGERIAN OFFICIALS, INCLUDING MINISTRY
OF INDUSTRY AND ENERGY SECGEN MOURAD CASTEL, THAT THERE WAS
A LIMIT TO THE AMOUNT OF BUSINESS EXIM COULD DO IN ALGERIA,
THAT WE WOULD HAVE TO BE SELECTIVE, AND THAT WE COULD NOT
PROVIDE AS MUCH OF THE FINANCING FOR ANY INDIVIDUAL TRANS-
ACTION AS THE ALGERIANS MIGHT WANT. THE SAME MESSAGE WAS
CONVEYED TO VARIOUS OTHER ALGERIANS WHO VISITED EXIM PRIOR
TO MAY 1974, AND HAS BEEN REPEATED MANY, MANY TIMES TO
UNCLASSIFIED

PAGE 04 STATE 209838

ALGERIANS VISITING EXIMBANK SINCE THAT TIME.

8. WE HOPE THAT THIS WILL CLARIFY EXIMBANK'S POSITION VIS-
A-VIS ALGERIA AND WILL PERMIT THE EMBASSY TO RESPOND TO THE
INQUIRY BY KHALEF OF MINISTRY OF INDUSTRY AND ENERGY. HE
SHOULD ALSO BE REMINDED OF EXIMBANK'S ROLE IN FINANCING
PURCHASES FOR AIR ALGERIE, SNCFA, SONAREM, AND OTHER
ALGERIAN MINISTRIES AND STATE COMPANIES.
KISSINGER

UNCLASSIFIED

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, POLICIES, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 04 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE209838
Document Source: ADS
Document Unique ID: 00
Drafter: EXB:TEMORANAPPROVED BY: EXB:CNORRIS
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750306-0685
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197509103/baaaaaol.tel
Line Count: 152
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN XMB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAR 2003 by MaustMC>; APPROVED <15 JAN 2004 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: PFOR, EGEN, AG, US, XMB
To: ALGIERS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006